

CORRECTED FISCAL NOTE

SB 3424 - HB 3340

March 29, 2006

SUMMARY OF BILL: Requires managed care organizations (MCO) to enter into at risk contracts; establishes a statewide advisory committee to oversee the establishment of disease management programs; requires the Comptroller to contract with a consulting firm to evaluate the TennCare pharmacy benefit manager and programs of drug utilization review; requires hospitals to report on the use of essential access payments; requires open enrollment for the uninsurable and medically eligible; requires unrestricted prescription coverage prescribed as part of a disease management program; and redefines "medically necessary."

ESTIMATED FISCAL IMPACT:

On March 27, 2006, we issued a fiscal note which indicated that there would be an *increase in state expenditures of \$481,386,500 recurring and \$5,466,200 one-time, an increase in federal expenditures of \$973,389,200 and a decrease in federal expenditures of \$35,000,000.* Based on additional information from the Bureau of TennCare, the estimated fiscal impact of this bill is:

(Corrected)

**Increase State Expenditures - \$481,386,500 Recurring
\$5,466,200 One-Time**

Decrease State Expenditures - \$12,600,000

**Other Fiscal Impact – Increase Federal Expenditures - \$973,389,200
Decrease Federal Expenditures - \$22,400,000**

Assumptions:

- The Bureau of TennCare will incur an increase in expenditures for the open enrollment for the uninsurable and medically eligible populations estimated at \$1,284,722,000 (\$426,514,300 in state funds and \$858,207,700 in federal funds).
- There will be a decrease in federal expenditures estimated at \$35,000,000 (\$12,600,000 in state funds and \$22,400,000 in federal funds) for the premiums paid by the uninsurable and medically eligible populations that are above 200% of poverty.

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- There will be an increase in expenditures for the unrestricted prescription drug coverage as part of a disease management program estimated at \$139,816,700 (\$41,692,300 in state funds and \$98,124,400 in federal funds).
- The changes to the definition of ‘medical necessity’ are estimated to increase expenditures by \$25,244,400 (\$8,187,300 in state funds and \$17,057,100 in federal funds).
- The changes in expenditures and revenues incurred for the MCOs to enter into contracts that place them more at risk are included in the proposed FY 2007 budget.
- There will not be a significant increase in expenditures to establish an advisory committee to oversee the establishment of disease management programs.
- The Department of Human Services (DHS) will incur an increase in one-time state expenditures for the additional overtime costs for the initial rush of applicants at the start of the open enrollment period for the uninsurable and medically eligible populations. It is estimated that 1,860 counselors will work 10 hours of overtime per week for eight weeks which will result in one-time expenditures of \$3,348,000 (\$225 X 8 X 1,860).
- The Department will annually recertify a participant’s eligibility which will increase the Family Assistance workload. DHS will need 111 additional positions to conduct 16,600 eligibility interviews per month. There will be an increase in recurring state expenditures of \$4,492,600 for salaries and benefits, printing/supplies, office space, and communication. There will be one-time expenditures of \$287,500 for computer, printers and induction training.
- DHS will need to make modifications to the ACCENT system which will increase one-time expenditures by an amount estimated at \$1,830,700.
- There will be an increase in state expenditures of \$500,000 for the Comptroller to hire consultants to fulfill the provisions of the bill.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director